

**CITY OF CARSON**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-7
Management's Discussion and Analysis	8-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 17
Notes to Financial Statements	18-30
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	32
Notes to Other Information – Budgetary Reporting	33
Schedule of the City's Proportionate Share of the Net Pension Liability	34
Schedule of City Contributions	35
Notes to Other Information – Pension Liability	36
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 38
Schedule of Indebtedness	2 39
Bond and Note Maturities	3 40
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 41
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Schedule of Findings	45-48

**City of Carson**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Weuve	Mayor	January 2016
Troy Graves	Council Member	January 2016
Callie Kallsen	Council Member	January 2016
Donnie Hendricks	Council Member	January 2018
Adam Houser	Council Member	January 2018
Tim Todd	Council Member	January 2018
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Steve Krohn	City Attorney	Indefinite

**CITY OF CARSON**





Diane McGrain, CPA  
Jim Menard, CPA

September 8, 2015

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

omni business centre  
42 n 2<sup>nd</sup> Street  
council bluffs, Iowa 51503  
712•322•8734 / fax 712•322•4699

City of Carson  
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 5 to the financial statements, City of Carson adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 8 through 13 and 32 through 36 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

City of Carson  
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2015 on our consideration of the City of Carson's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson's internal control over financial reporting and compliance.

*Schroer & Associates, PC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As Management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2015. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$5,800 from fiscal 2014 to fiscal 2015. Operating grants decreased approximately \$136,000. Tax increment financing collections increased approximately \$142,000.
- Disbursements decreased approximately \$728,000 from 2014 to 2015. Public safety decreased approximately \$194,000, public works decreased approximately \$420,000, community and economic development decreased approximately \$104,000, and debt service decreased approximately \$21,000.
- The City's total cash basis net position increased by \$222,229 from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities increased \$251,976, and the net position of the business type activities decreased by \$29,747.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and solid waste removal. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$251,976 to \$870,783. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 42,228	69,277
Operating grants, contributions and restricted interest	233,383	369,250
General receipts:		
Property tax	284,342	284,273
Tax increment financing	213,810	71,981
Local option sales tax	127,264	100,933
Grants and contributions not restricted to specific purposes	1,358	868
Unrestricted interest on investments	204	219
Total receipts	902,589	896,801
Disbursements:		
Public safety	115,088	309,714
Public works	95,916	516,014
Culture and recreation	98,777	87,657
Community and economic development	29,065	132,970
General government	81,293	80,586
Debt service	230,474	251,641
Capital projects	-	350
Total disbursements	650,613	1,378,932
Change in cash basis net position	251,976	(482,131)
Cash basis net position beginning of year	618,807	1,100,938
Cash basis net position end of year	\$ 870,783	618,807

The total receipts for governmental activities increased \$5,788. The total cost of all programs and services decreased by \$728,319.

The cost of all governmental activities this year was \$650,613 compared to \$1,378,932 from the prior year. The significant decrease in disbursements was due to the spending of loan proceeds received the year before last year.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$375,002, due to costs paid by those directly benefited from the programs (\$42,228) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$233,383).

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 138,992	139,807
Sewer	179,192	173,794
Garbage	71,914	72,300
Miscellaneous	5,074	-
Total receipts	395,172	385,901
Disbursements:		
Water	218,430	149,154
Sewer	143,144	144,846
Garbage	63,345	69,175
Total disbursements	424,919	363,175
Change in cash basis net position	(29,747)	22,726
Cash basis net position beginning of year	26,810	4,084
Cash basis net position end of year	\$ (2,937)	26,810

Total business type activities receipts for the fiscal year were \$395,172 compared to \$385,901 last year. The cash balance decreased by \$29,747. Total disbursements for the fiscal year increased \$61,744.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$870,783, an increase of \$251,976 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$141,536, an increase of \$131,063 from the prior year primarily due to a transfer from the Local Option Sales Tax Fund.
- The Road Use Tax Fund balance at the end of the fiscal year was \$46,977, a decrease of \$8,881.
- The Local Option Sales Tax Fund balance remained at zero since receipts are transferred to the General Fund for property tax relief.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$658,467, an increase of \$123,995 from the previous year. The increase was due to tax increment financing collections for the Highway 92 paving project.
- The Debt Service Fund balance was \$29,162, an increase of \$3,671 from the prior year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance decreased \$74,449 to \$17,771 due to engineering fees for a water treatment plant evaluation.
- The Sewer Fund balance increased by \$36,055 to (\$834) due to reducing yearly fund expenditures in order to correct the negative fund balance.
- The Garbage Fund balance increased by \$8,647 to (\$19,874) due to reducing yearly fund expenditures in order to correct the negative fund balance.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended one time for a total increase of \$123,557 for disbursements. City receipts were \$20,707 more than budgeted. After the budget amendment, total disbursements were \$83,862 less than anticipated.

## DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$1,576,000 in bonds and other long-term debt, compared to approximately \$1,860,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
General obligation notes and bonds	\$ 899	1,102
Urban renewal tax increment financing bonds	20	40
Revenue bonds	657	718
	<u>\$ 1576</u>	<u>1,860</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt and TIF debt of \$919,000 is below its constitutional debt limit of approximately \$1,800,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

Strategic planning and capital equipment needs are prioritized and planned by City officials and department heads on a yearly basis. Funding strategies such as grant time frames and the City's debt capacity are all taken into account during budgetary planning process.



## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

**City of Carson**  
**Basic Financial Statements**

City of Carson  
Statement of Activities and Net Position  
As of and for the year ended June 30, 2015

	Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Public safety	\$ 115,088	17,978	28,616	(68,494)	-	(68,494)
Public works	95,916	103	87,035	(8,778)	-	(8,778)
Culture and recreation	98,777	23,616	101,013	25,852	-	25,852
Community and economic development	29,065	-	-	(29,065)	-	(29,065)
General government	81,293	531	16,719	(64,043)	-	(64,043)
Debt service	230,474	-	-	(230,474)	-	(230,474)
Total governmental activities	650,613	42,228	233,383	(375,002)	-	(375,002)
Business type activities:						
Water	218,430	138,992	-	-	(79,438)	(79,438)
Sewer	143,144	179,192	-	-	36,048	36,048
Garbage	63,345	71,914	-	-	8,569	8,569
Total business type activities	424,919	390,098	-	-	(34,821)	(34,821)
Total	\$ 1,075,532	432,326	233,383	(375,002)	(34,821)	(409,823)
<b>General Receipts:</b>						
Property tax levied for general purposes				284,342	-	284,342
Tax increment financing				213,810	-	213,810
Local option sales tax				127,264	-	127,264
Grants and contributions not restricted to specific purpose				1,358	-	1,358
Miscellaneous				-	5,074	5,074
Unrestricted interest on investments				204	-	204
Total general receipts and transfers				626,978	5,074	632,052
Change in cash basis net position				251,976	(29,747)	222,229
Cash basis net position beginning of year				618,807	26,810	645,617
Cash basis net position end of year				\$ 870,783	(2,937)	867,846
<b>Cash Basis Net Position</b>						
Restricted:						
Expendable:						
Streets				\$ 46,977	-	46,977
Urban renewable purposes				658,467	-	658,467
Debt service				29,162	-	29,162
Other purposes				17,218	-	17,218
Unrestricted				118,959	(2,937)	116,022
Total cash basis net position				\$ 870,783	(2,937)	867,846

See notes to financial statements.

City of Carson  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2015

		Special Revenue				Other	
		Road	Local	Urban	Debt	Nonmajor	
	General	Use	Option Sales	Renewal	Service	Governmental	Total
		Tax	Tax	Tax Increment		Funds	
Receipts							
Property tax	\$ 110,062	-	-	-	172,524	-	282,586
Tax increment financing	-	-	-	213,810	-	-	213,810
Other city tax	885	-	127,264	-	871	-	129,020
Licenses and permits	1,374	-	-	-	-	-	1,374
Use of money and property	6,684	-	-	-	-	-	6,684
Intergovernmental	27,643	84,434	-	-	-	9,774	121,851
Charges for service	33,213	-	-	-	-	-	33,213
Miscellaneous	111,450	2,601	-	-	-	-	114,051
Total receipts	291,311	87,035	127,264	213,810	173,395	9,774	902,589
Disbursements							
Operating:							
Public safety	115,088	-	-	-	-	-	115,088
Public works	-	95,916	-	-	-	-	95,916
Culture and recreation	98,777	-	-	-	-	-	98,777
Community and economic development	-	-	-	29,065	-	-	29,065
General government	73,647	-	-	-	-	7,646	81,293
Debt service	-	-	-	-	230,474	-	230,474
Total disbursements	287,512	95,916	-	29,065	230,474	7,646	650,613
Excess (deficiency) of receipts over (under) disbursements	3,799	(8,881)	127,264	184,745	(57,079)	2,128	251,976
Other financing sources (uses):							
Transfers in	127,264	-	-	-	60,750	-	188,014
Transfers out	-	-	(127,264)	(60,750)	-	-	(188,014)
	127,264	-	(127,264)	(60,750)	60,750	-	-
Change in cash balances	131,063	(8,881)	-	123,995	3,671	2,128	251,976
Cash balances beginning of year	10,473	55,858	-	534,472	25,491	(7,487)	618,807
Cash balances end of year	\$ 141,536	46,977	-	658,467	29,162	(5,359)	870,783
<b>Cash Basis Fund Balances</b>							
Restricted for:							
Streets	\$ -	46,977	-	-	-	-	46,977
Urban renewal purposes	-	-	-	658,467	-	-	658,467
Debt service	-	-	-	-	29,162	-	29,162
Other purposes	-	-	-	-	-	17,218	17,218
Assigned for park project	47,518	-	-	-	-	-	47,518
Unassigned	94,018	-	-	-	-	(22,577)	71,441
Total cash basis fund balances	\$ 141,536	46,977	-	658,467	29,162	(5,359)	870,783

See notes to financial statements.

City of Carson  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 138,992	179,192	71,914	390,098
Operating disbursements:				
Business type activities	<u>154,375</u>	<u>75,723</u>	<u>63,345</u>	<u>293,443</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(15,383)	103,469	8,569	96,655
Non-operating receipts (disbursements):				
Miscellaneous	4,989	7	78	5,074
Debt service	(11,878)	(67,421)	-	(79,299)
Capital projects	<u>(52,177)</u>	<u>-</u>	<u>-</u>	<u>(52,177)</u>
Total non-operating receipts (disbursements)	<u>(59,066)</u>	<u>(67,414)</u>	<u>78</u>	<u>(126,402)</u>
Change in cash balances	(74,449)	36,055	8,647	(29,747)
Cash balances beginning of year	<u>92,220</u>	<u>(36,889)</u>	<u>(28,521)</u>	<u>26,810</u>
Cash balances end of year	\$ <u><u>17,771</u></u>	<u><u>(834)</u></u>	<u><u>(19,874)</u></u>	<u><u>(2,937)</u></u>
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ <u><u>17,771</u></u>	<u><u>(834)</u></u>	<u><u>(19,874)</u></u>	<u><u>(2,937)</u></u>

See notes to financial statements.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies**

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Landfill Association, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.



City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the receipts from tax authorized by referendum and used for community betterment projects.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's solid waste disposal.

**C. Measurement Focus and Basis of Accounting**

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.



City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development and debt service functions.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (2) Cash and Pooled Investments - Continued**

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$867,846.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation debt, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 215,000	21,290	20,000	840	68,000	14,840	303,000	36,970
2017	146,500	15,373	-	-	70,000	13,020	216,500	28,393
2018	137,000	11,832	-	-	56,000	11,145	193,000	22,977
2019	125,000	8,530	-	-	57,000	9,965	182,000	18,495
2020	105,000	5,780	-	-	59,000	8,768	164,000	14,548
2021-2025	170,000	6,310	-	-	323,000	24,481	493,000	30,791
2026-2027	-	-	-	-	24,000	840	24,000	840
	<u>\$ 898,500</u>	<u>69,115</u>	<u>20,000</u>	<u>840</u>	<u>657,000</u>	<u>83,059</u>	<u>1,575,500</u>	<u>153,014</u>

Interest costs paid during the year ended June 30, 2015 totaled \$47,607.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,880,000 which was not exceeded during the year ended June 30, 2015.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (3) Bonds and Notes Payable - Continued**

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Tibbles subdivision. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$20,840, payable through June 2016. For the current year, total bond and interest payments and total TIF receipts were \$21,660 and \$213,810, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$32,130. For the current year, principal and interest paid and total customer net receipts were \$11,878 and (\$15,383), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$707,929. For the current year, principal and interest paid and total customer net receipts were \$68,421 and \$103,469, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

Sewer revenue charges were insufficient in the past to meet the debt resolution provision. The sewer fund still has a deficit cash basis fund balance.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (4) Lease Agreement**

The City leases a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2015 was \$1,656. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2016	\$ 1,656
2017	1,656
2018	1,518
Total	<u>\$ 4,830</u>

**NOTE (5) Pension Plan Benefits**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.



City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan Benefits - Continued**

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$16,644.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$80,212. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0020209 percent, which was a decrease of 0.0002583 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$7,548, \$4,923 and \$44,112 respectively.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan Benefits - Continued**

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (5) Pension Plan Benefits - Continued**

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 178,885	\$ 80,212	\$ (3,051)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE (6) Other Postemployment Benefits (OPEB)**

Plan description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$877 for single coverage and \$1,365 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, there were no plan members eligible for benefits.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (7)      Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2015, primarily relating to the General Fund is \$625. This liability is computed on rates of pay effective as of June 30, 2015.

**NOTE (8)      Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 127,264
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>60,750</u>
		\$ <u>188,014</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (9)      Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10)      Deficit Fund Balances**

At June 30, 2015, the City had the following deficit fund balances:

Capital Projects	\$ 22,577
Proprietary, Sewer Fund	834
Proprietary, Garbage Fund	<u>19,874</u>
Total	\$ <u>43,285</u>

The Capital Projects deficits will be eliminated upon receipts of other financing sources. The Garbage and Sewer Fund deficits will be eliminated by prior increases in fees for services.



City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (11) Urban Renewal**

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

**NOTE (12) Commitments**

Billing Services Agreement

On October 1, 2010, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the net collections on the City's behalf during the preceding month. The initial term of the agreement was for three years and automatically will renew for successive one-year terms. Either party may terminate with 90 days notice.

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$55,884 on the contract during fiscal year 2015.

City of Carson  
Notes to Financial Statements  
June 30, 2015

**NOTE (12) Commitments - Continued**

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2015. The contract is payable in four installments of \$3,553 during fiscal year 2016.

**NOTE (13) Franchise Agreement**

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

**NOTE (14) Construction Commitments**

At June 30, 2015, the city had water improvement and trail project construction commitments of \$244,668. There were no retainages included in those commitments.

## **Other Information**

City of Carson  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 282,586	-	282,586	271,886	271,886	10,700
Tax increment financing	213,810	-	213,810	212,448	212,448	1,362
Other city tax	129,020	-	129,020	102,774	102,774	26,246
Licenses and permits	1,374	-	1,374	2,335	2,400	(1,026)
Use of money and property	6,684	-	6,684	25,260	25,260	(18,576)
Intergovernmental	121,851	-	121,851	114,434	228,036	(106,185)
Charges for service	33,213	390,098	423,311	424,800	427,600	(4,289)
Miscellaneous	114,051	5,074	119,125	4,150	6,650	112,475
Total receipts	902,589	395,172	1,297,761	1,158,087	1,277,054	20,707
Disbursements						
Public safety	115,088	-	115,088	136,061	135,648	20,560
Public works	95,916	-	95,916	73,974	99,947	4,031
Culture and recreation	98,777	-	98,777	73,780	141,702	42,925
Community and economic development	29,065	-	29,065	22,160	27,851	(1,214)
General government	81,293	-	81,293	72,118	85,828	4,535
Debt service	230,474	-	230,474	287,304	218,804	(11,670)
Business type activities	-	424,919	424,919	370,440	449,614	24,695
Total disbursements	650,613	424,919	1,075,532	1,035,837	1,159,394	83,862
Excess (deficiency) of receipts over (under) disbursements	251,976	(29,747)	222,229	122,250	117,660	104,569
Balances beginning of year	618,807	26,810	645,617	651,305	651,305	(5,688)
Balances end of year	\$ 870,783	(2,937)	867,846	773,555	768,965	98,881

See accompanying independent auditors' report.

See accompanying independent auditors' report.  
City of Carson  
Notes to Other Information – Budgetary Reporting  
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$123,557. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development and debt service functions.

City of Carson  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
(In Thousands)  
Other Information  
Year ended June 30, 2015

City's proportion of the net pension liability	0.002021 %
City's proportionate share of the net pension liability	\$ 80
City's covered-employee payroll	\$ 185
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.24%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Carson  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)  
Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 17	17	16	15	11	12	10	10	9	10
Contributions in relation to the statutorily required contribution	17	17	16	15	11	12	10	10	9	10
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 181	185	181	177	151	170	162	165	163	176
Contributions as a percentage of covered-employee payroll	9.17%	9.18%	9.00%	8.40%	6.95%	7.17%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditors' report



City of Carson  
Notes to Other Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



## **Supplementary Information**

City of Carson  
Schedule of Cash Receipts, Disbursements and Changes in  
Cash Balances – Nonmajor Governmental Funds  
As of and for the year ended June 30, 2015

	Special Revenue				
	Employee Benefits	Insurance	Fema	Capital Projects	Total
Receipts					
Intergovernment	\$ -	-	9,774	-	9,774
Disbursements:					
Operating:					
General government	-	-	7,646	-	7,646
Change in cash balances	-	-	2,128	-	2,128
Cash balances beginning of year	50	438	14,602	(22,577)	(7,487)
Cash balances end of year	\$ 50	438	16,730	(22,577)	(5,359)
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ 50	438	16,730	-	17,218
Unassigned	-	-	-	(22,577)	(22,577)
Total cash basis fund balances	\$ 50	438	16,730	(22,577)	(5,359)

See accompanying independent auditors' report.

City of Carson  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Street/storm sewer	Nov 15, 2006	4.40-4.50%	\$ 135,000	\$ 45,000	-	15,000	30,000	1,988	-
Essential corporate purpose	Nov 30, 2007	4.15%	495,000	135,000	-	65,000	70,000	5,570	-
Fire truck and backhoe	Jul 1, 2011	3.60-3.90%	181,000	135,000	-	26,000	109,000	5,009	-
Street improvement	Jul 25, 2011	1.60-3.00%	280,000	220,000	-	30,000	190,000	5,760	-
Sewer improvement	May 30, 2012	3.00-3.75%	62,000	52,000	-	12,500	39,500	1,658	-
Essential corporate purpose	Apr 25, 2013	0.85-2.00%	570,000	515,000	-	55,000	460,000	6,663	-
				\$ 1,102,000	-	203,500	898,500	26,648	-
Urban renewal tax increment financing (TIF) revenue bonds:									
Tibbles/TIF Subdivision	Aug 1, 2005	4.10-4.20%	\$ 165,000	\$ 40,000	-	20,000	20,000	1,660	-
Revenue notes:									
Sewer	Sep 29, 2004	1.75%	\$ 750,000	\$ 467,000	-	36,000	431,000	11,091	-
Sewer	Oct 5, 2006	3.00%	250,000	168,000	-	12,000	156,000	5,040	-
Sewer	Jun 28, 2007	3.00%	59,000	43,000	-	3,000	40,000	1,290	-
Water	Nov 30, 2007	4.70-4.75%	100,000	40,000	-	10,000	30,000	1,878	-
				\$ 718,000	-	61,000	657,000	19,299	-

See accompanying independent auditors' report.

City of Carson  
Bond and Note Maturities  
June 30, 2015

General Obligation Bonds and Notes

Year Ending June 30,	Street/Storm Sewer Issued Nov 15, 2006		Essential Corporate Purpose Issued Nov 30, 2007		Fire Truck/Backhoe Issued Jul 1, 2011		Street Improvement Issued Jul 25, 2011		Sewer Improvement Issued May 30, 2012		Essential Corporate Purpose Issued Apr 25, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	4.40%	15,000	4.15%	70,000	3.60%	27,000	1.60%	30,000	3.00%	13,000	0.85%	60,000	215,000
2017	4.50%	15,000	-	-	3.75%	28,000	3.00%	30,000	3.00%	13,500	0.85%	60,000	146,500
2018	-	-	-	-	3.80%	29,000	3.00%	30,000	3.75%	13,000	1.25%	65,000	137,000
2019	-	-	-	-	3.90%	25,000	3.00%	30,000	-	-	1.25%	70,000	125,000
2020	-	-	-	-	-	-	3.00%	35,000	-	-	1.60%	70,000	105,000
2021	-	-	-	-	-	-	3.00%	35,000	-	-	1.60-2.00%	45,000	80,000
2022	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	45,000
2023	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	45,000
		<u>\$ 30,000</u>		<u>\$ 70,000</u>		<u>\$ 109,000</u>		<u>\$ 190,000</u>		<u>\$ 39,500</u>		<u>\$ 460,000</u>	<u>\$ 898,500</u>

Urban Renewal Tax

Year Ending June 30,	Increment (TIF) Revenue Bonds Tibbles TIF Subdivision Issued Aug 1, 2005		Sewer Issued Sept 29, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	4.20%	20,000	1.75%	38,000	3.00%	12,000	3.00%	3,000	4.70%	15,000	68,000
2017	-	-	1.75%	39,000	3.00%	13,000	3.00%	3,000	4.75%	15,000	70,000
2018	-	-	1.75%	40,000	3.00%	13,000	3.00%	3,000	-	-	56,000
2019	-	-	1.75%	41,000	3.00%	13,000	3.00%	3,000	-	-	57,000
2020	-	-	1.75%	42,000	3.00%	14,000	3.00%	3,000	-	-	59,000
2021	-	-	1.75%	43,000	3.00%	14,000	3.00%	3,000	-	-	60,000
2022	-	-	1.75%	45,000	3.00%	15,000	3.00%	3,000	-	-	63,000
2023	-	-	1.75%	46,000	3.00%	15,000	3.00%	3,000	-	-	64,000
2024	-	-	1.75%	48,000	3.00%	15,000	3.00%	4,000	-	-	67,000
2025	-	-	1.75%	49,000	3.00%	16,000	3.00%	4,000	-	-	69,000
2026	-	-	-	-	3.00%	16,000	3.00%	4,000	-	-	20,000
2027	-	-	-	-	-	-	3.00%	4,000	-	-	4,000
		<u>\$ 20,000</u>		<u>\$ 431,000</u>		<u>\$ 156,000</u>		<u>\$ 40,000</u>		<u>\$ 30,000</u>	<u>\$ 657,000</u>

See accompanying independent auditors' report.

City of Carson  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Receipts</b>										
Property tax	\$ 282,586	282,214	263,403	214,604	210,116	145,189	200,807	146,409	149,263	112,198
Tax increment financing collections	213,810	71,981	133,462	262,909	268,517	442,782	137,874	256,035	214,341	237,576
Other city tax	129,020	102,992	99,272	97,839	92,151	80,103	88,806	69,871	77,705	83,583
Licenses and permits	1,374	1,514	1,376	1,453	776	1,651	1,471	2,848	1,987	1,852
Use of money and property	6,684	3,960	9,134	9,712	7,361	11,539	8,635	13,888	20,084	5,695
Intergovernmental	121,851	291,603	176,774	227,253	92,521	95,813	87,028	179,779	597,304	968,980
Charges for service	33,213	29,020	39,118	31,095	32,914	43,739	50,893	35,074	56,147	22,888
Special assessments	-	-	252	-	-	685	368	-	-	-
Miscellaneous	114,051	113,517	43,162	59,265	42,370	11,444	92,952	26,444	348,173	84,182
<b>Total</b>	<b>\$ 902,589</b>	<b>896,801</b>	<b>765,953</b>	<b>904,130</b>	<b>746,726</b>	<b>832,945</b>	<b>668,834</b>	<b>730,348</b>	<b>1,465,004</b>	<b>1,516,954</b>
<b>Disbursements</b>										
Operating:										
Public safety	\$ 115,088	309,714	139,545	230,651	125,205	142,444	108,359	113,791	114,071	129,467
Public works	95,916	516,014	93,391	388,379	74,126	75,846	58,435	70,266	70,489	78,928
Culture and recreation	98,777	87,657	60,137	115,703	69,682	59,873	56,821	59,434	20,793	30,897
Community and economic development	29,065	132,970	44,834	102,488	204,974	53,636	132,414	79,866	205,412	205,902
General government	81,293	80,586	72,206	82,276	53,097	43,519	55,949	46,178	58,873	84,268
Debt service	230,474	251,641	195,308	157,194	102,441	287,139	283,035	627,966	74,340	57,224
Capital projects	-	350	6,137	203,874	44,481	7,087	28,533	461,501	2,230,688	1,751,328
<b>Total</b>	<b>\$ 650,613</b>	<b>1,378,932</b>	<b>611,558</b>	<b>1,280,565</b>	<b>674,006</b>	<b>669,544</b>	<b>723,546</b>	<b>1,459,002</b>	<b>2,774,666</b>	<b>2,338,014</b>

See accompanying independent auditors' report.

**City of Carson**





Diane McGrain, CPA  
Jim Menard, CPA

September 8, 2015

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 8, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

Continued...

omni business centre  
42 n 2<sup>nd</sup> Street  
council bluffs, Iowa 51503  
712•322•8734 / fax 712•322•4699

City of Carson  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's Responses to Findings

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schier & Associates, PC*

City of Carson  
Schedule of Findings  
Year Ended June 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

One person has control over depositing, check writing and posting for the Park records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations. In addition, we now accept payment for utility bills through credit card or bill pay options.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15    Certified Budget

Comment - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response –The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-15    Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15    Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15    Business Transactions

No business transactions between the City and City officials, employees or relatives of City officials were noted.

II-E-15    Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting - Continued:**

II-F-15    Council Minutes

Comment – We noted that the transactions of the Park Board have been recorded by the City Clerk in the City's records. However, there is no evidence that claims paid by the Park Board have been approved by either the Park Board or the City Council.

Recommendation – All claims paid should be approved and documentation should be made in the minutes of the governing body approving the claims.

Response – We will discuss this with the Park Board.

Conclusion – Response accepted.

II-G-15    Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-15    Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We have increased our fees and will monitor the fund balances. The fund deficit balance continues to decrease yearly.

Conclusion – Response accepted.

II-I-15    Financial Condition

Comment – At June 30, 2015, the City had the following deficit fund balances:

Capital Projects	\$	22,577
Proprietary, Sewer Fund		834
Proprietary, Garbage Fund		19,874
Total	\$	<u>43,285</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. Transfers should be made to the inactive capital project accounts to close out the balances. User fees for sewer and garbage should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

Response – We will monitor these funds closely. We will make transfers to close out capital projects and adjust fees if necessary.

Conclusion – Response accepted.

City of Carson  
Schedule of Findings  
Year Ended June 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting - Continued:**

II-J-15 Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management before December 1 and no exceptions were noted.

II-K-15 Electronic Check Retention

Comment – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Park Board does not receive images of cancelled checks.

Recommendation – The Park Board should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will inform the Park Board.

Conclusion – Response acknowledged.